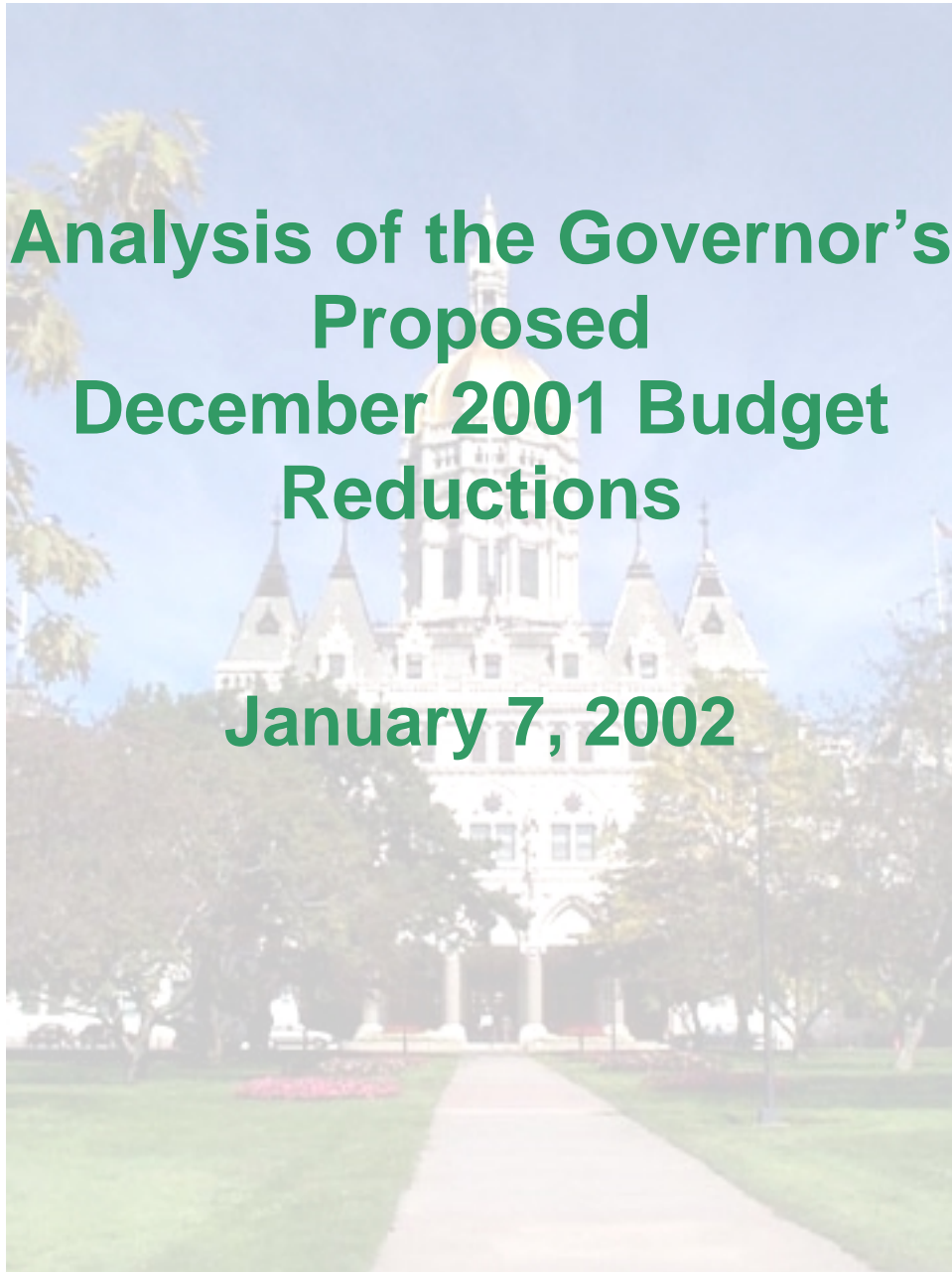


**Connecticut General Assembly**  
**OFFICE OF FISCAL ANALYSIS**

**Analysis of the Governor's  
Proposed  
December 2001 Budget  
Reductions**

**January 7, 2002**



## **Analysis of the Governor's Proposed December 2001 Budget Reductions**

### **Recap of November 2001 Special Session Budget Action**

As a result of a \$301.7 million deficit projected by the governor prior to the November Special Session and faced with the potential for further economic decline, SA 01-1 (November 15, 2001 Special Session) was enacted. This act made \$35.3 million in FY 02 General Fund operating budget reductions and \$129 million in FY 01 surplus funding reductions (in addition to the original \$31.9 million surplus reduction made in accordance with Sec. 47 (w) of SA 01-1, JSS). These reductions totaled \$164.3 million.

The governor anticipated savings totaling \$36.4 million from allotment and carryforward reductions and from agencies achieving additional targetable lapses. When added to the savings outlined in the act, the total amount of budget reductions is \$200.7 million prior to the governor's proposed December budget reductions. This amount is offset by a \$.5 million revenue loss due to a \$1 million reduction in the Medicaid account.

A total of \$63.6 million in new General Obligation (GO) and Special Tax Obligation (STO) bond authorizations was also provided during the November 15, 2001 Special Session in lieu of using FY 01 surplus appropriations in some cases.

PA 01-1 (November 15, 2001 Special Session) delayed the scheduled phase out of the Succession (Inheritance) Tax. The revenue gain associated with this delay grows from \$11 million in FY 03 to \$32.1 million in FY 06.

### **Governor's Proposed December 2001 Budget Reductions**

In the December 20, 2001 letter to the State Comptroller, the Office of Policy and Management (OPM) anticipated a further \$94.1 million decline in revenues. To address this additional revenue shortfall and to partially offset the \$108.6 million deficit remaining from the November Special Session, **the governor proposed \$110.5 million in budget reductions**, the components of which are detailed on the attached schedule and explained below. The extent to which any of the governor's proposed reductions would be needed to achieve the \$103.9 million in already budgeted lapse/holdback savings in lieu of representing additional savings beyond the budgeted lapse/holdbacks is uncertain at this time.

- **\$12.7 million in additional allotment reductions**, which when added to the \$20.3 million agreed to as of the November Special Session, total \$33 million. These reductions, which the governor may implement unilaterally under the provisions of Sec. 4-85 (CGS), do not exceed the statutory limits of 5% of any appropriation account or 3% of any appropriated fund.
- **\$41.4 million in additional surplus reductions**, which when added to the \$129 million reduced during the November Special Session, would total \$170.4 million (in addition to the original \$31.9 million surplus reduction made in accordance with Sec. 47 (w) of SA 01-1, JSS). The governor's December surplus proposals exceed the 5% limitation regarding reducing appropriation accounts (with the exception of one item) and affect several grants to towns totaling \$2.3 million,

which is prohibited under Sec. 4-85 (CGS). Therefore, the governor would need legislative approval to either exceed the 5% limitation or reduce municipal aid.

- **\$13.6 million in forced lapses**, which when added to the additional \$8.9 million lapse targeted in late September 2001, would total \$22.5 million (these are in addition to the \$103.9 million in lapses/holdbacks required in the original FY 02 budget). All of the governor's December forced lapses proposals (with one exception) either exceed 5% of appropriation accounts as modified during the November Special Session) or would exceed 5% if combined with targetable lapses or allotment reductions that have occurred and are proposed. These proposals affect several grants to towns totaling \$8.7 million. Therefore, if the forced lapse reductions were to be imposed, the governor would need legislative approval to implement those which either exceed the 5% limitation or reduce municipal aid.
- **\$1.8 million in additional carryforward reductions**, which when added to the \$7.1 million agreed to during the November Special Session, would total \$8.9 million. These carryforward reductions would require legislative approval.
- **\$41 million in transfers from monies received under the Tobacco Settlement Agreement**, which would require legislative approval. This includes \$37 million from the Tobacco and Health Trust Fund established by PA 99-2, June Special Session and \$4 million from the Biomedical Research Trust Fund, established by PA 00-216. The balance for the Tobacco and Health Trust Fund at the end of FY 02 is anticipated to be \$48.3 million plus interest earnings. The governor's December proposal would transfer \$37 million of this balance to General Fund revenues, leaving \$11.3 million plus interest earnings in the Trust Fund [1]. The governor's \$37 million transfer proposal includes taking \$25 million from the Trust Fund and canceling the annual intercept (which begins in FY 02) of at least \$12 million from tobacco settlement funds that would be deposited in the Trust Fund in accordance with the provisions of PA 00-216. This act also requires tobacco settlement funds in the amount of \$4 million be dedicated annually (beginning in FY 02 as well) to the Biomedical Research Trust Fund. The governor's December proposal would also cancel the intercept of these funds, thereby enhancing General Fund revenues by \$4 million.

[1] The Board of Trustees of the Tobacco and Health Trust Fund may recommend disbursements of up to 50% of the net earnings from the Trust Fund in each of FY 02 through FY 05 and up to 100% in FY 06 and each subsequent fiscal year. Legislative action is required prior to disbursement. As the Board has not yet issued its initial recommendations, figures presented above have not been adjusted to reflect them.

## Analysis of Governor's Proposed December 2001 Budget Reductions

	Original FY 02 Appropriation	Surplus Approp. Adjusted by SA 01-1 (JSS)	November OPM Budget Recisions	November Add. Lapse Target	Nov. Changes to Operating Budget SA 01-1 (NSS)	Nov. Changes to Surplus Budget SA 01-1 (NSS)	Governor's Dec. Allot Resc.	% change for Dec Allot Resc. from Nov Modified Approp	% change for Nov & Dec Allot Resc from Nov Modified Approp	Governor's Dec. Surplus Reductions	% change for Dec Surplus Reduc. from Nov. Modified Approp	Governor's Dec. Forced Lapse	% change for Dec Forced Lapse From Nov Modified Approp	Governor's December Carryforward Reduction
1310 OFFICE OF POLICY AND MANAGEMENT														
033 Leadership, Education, Athletics in Partnership (LEAP)	2,326,700	-	(116,335)	-								(133,665)	-5.74%	
036 Children and Youth Program Development	750,000	-	(37,500)	-								(160,000)	-21.33%	
044 Neighborhood Youth Centers	1,846,107	-	-	-	(100,000)		(87,305)	-5.00%	-5.00%			(312,695)	-17.91%	
048 Boys and Girls Clubs	350,000	-	-	-			(17,500)	-5.00%	-5.00%			(17,500)	-5.00%	
604 Private Provider Infrastructure	-	16,935,935	-	-		(12,435,935)				(4,500,000)	-100.00%			
606 Drug Enforcement Program	1,414,348	-	(70,717)	-	(141,000)	(2,000,000)				(1,000,000)	-25.00%	(141,435)	-11.11%	
610 Misc. Grants	-	6,000,000	-	-										
710 Drug Enforcement Program	9,266,053	1,439,554	-	-	(710,446)							(1,326,605)	-15.51%	
715 Waste Water Treatment Grants	250,000	-	-	-								(250,000)	-100.00%	
***** OPM Tobacco Grant Account -092					(400,000)									(400,000)
1315 OFFICE OF WORKFORCE COMPETITIVENESS														
016 Job Funnels Project	-	2,352,213	-	-		(150,000)				(202,213)	-9.18%			
017 Workforce Development Boards	-	2,352,213	-	-		(500,000)				(1,852,213)	-100.00%			
024 CETC Workforce	4,480,000	-	(224,000)	(200,000)	(376,000)							(200,000)	-4.87%	
701 School To Work	-	1,881,771	-	-		(800,000)				(81,771)				
2610 DEPARTMENT OF LABOR														
031 Community Employment Incentive Program	-	2,822,656	-	-						(1,411,328)	-50.00%			
042 Individualized Development Accounts	-	400,000	-	-						(400,000)	-100.00%			
3500 DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT														
702 Tax Abatement	2,243,276	-	-	-								(2,243,276)	-100.00%	
703 Payment in Lieu of Taxes	2,900,000	-	-	-								(2,900,000)	-100.00%	
4001 DEPARTMENT OF PUBLIC HEALTH														
018 Children's Health Initiatives	1,618,761	-	-	-		(80,938)	(80,938)	-5.00%	-5.00%					
039 AIDS Services	4,268,765	-	(200,000)	-		(13,438)	(13,438)	-0.31%	-5.00%					
047 Medicaid Administration	3,812,111	-	(100,000)	-		(90,606)	(90,606)	-2.38%	-5.00%			(209,394)	-5.49%	
4100 DEPARTMENT OF MENTAL RETARDATION														
617 Employment Opportunities and Day Services	108,833,086	-	-	-			(1,000,000)	-0.92%	-0.92%					
4400 DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES														
001 Personal Services	152,186,187	-	-	-			(800,000)	-0.53%	-0.53%					
012 Medicaid Studies	-	705,664	-	-						(152,499)	-21.61%			
014 CMH Strategic Investment	-	23,522,132	-	-		(2,000,000)				(7,000,000)	-32.52%			
035 General Assistance	70,216,477	-	-	-			(3,500,000)	-4.98%	-4.98%					
042 Special Populations	20,831,527	-	-	-			(550,000)	-2.64%	-2.64%					
044 TBI Community Services	3,010,760	-	-	-										(1,400,000)
601 Substance Abuse Grants	20,781,501	-	(250,000)	-		(250,000)	(250,000)	-1.20%	-2.41%					
604 Governor's Partnership	470,475	-	(23,524)	-								(23,524)	-5.00%	
606 Psych and MH Services	76,288,281	-	(500,000)	-			(250,000)	-0.33%	-0.98%					
6100 DEPARTMENT OF SOCIAL SERVICES														
018 HUSKY Outreach and Data Collection	5,475,060	-	(273,753)	-								(726,247)	-13.26%	
619 Human Resource Development-Hispanic	105,506	-	-	-		(5,275)	(5,275)	-5.00%	-5.00%			(4,725)	-4.48%	
649 Housing/Homeless Services	25,192,337	-	(200,000)	-		(1,059,617)	(1,059,617)	-4.21%	-5.00%			(1,000,000)	-3.97%	
659 Human Resource Development	3,827,696	-	(191,385)	-								(250,000)	-6.53%	
675 TFA Supportive Employment	-	940,885	-	-						(940,885)	-100.00%			
677 CCA/Hill Cooperative	-	150,000	-	-						(150,000)	-100.00%			
7001 DEPARTMENT OF EDUCATION														
035 Reading Institutes	-	1,881,771	-	-						(940,885)	-50.00%			
036 Teacher Training	-	564,531	-	-						(564,531)	-100.00%			
040 Repair of Instructional Equipment	737,500	-	(36,875)	-								(36,875)	-5.00%	
041 Minor Repairs to Plant	500,000	-	(25,000)	-								(25,000)	-5.00%	
719 Education Equalization Grants	1,459,000,000	-	-	-								(2,000,000)	-0.14%	
755 School Accountability	-	1,881,771	-	-						(940,885)	-50.00%			
756 Poor Performing Schools	-	2,634,479	-	-						(1,317,239)	-50.00%			
7104 STATE LIBRARY														
601 Basic Cultural Resources Grant	2,903,311	-	(145,166)	-	(50,000)							(145,166)	-5.09%	
7250 DEPARTMENT OF HIGHER EDUCATION														
027 Minority Advancement Program	2,656,242	-	(132,812)	-								(1,000,623)	-37.67%	
030 National Service Act	501,312	-	(25,066)	-								(316,295)	-63.09%	
033 Minority Teacher Incentive Program	541,500	-	(27,075)	-								(132,925)	-24.55%	
034 Higher Education Matching Grant	-	18,701,036	-	-						(9,973,384)	-53.33%			
038 Education and Health Initiatives	-	1,411,328	-	-						(132,270)	-9.37%			
7301 UNIVERSITY OF CONNECTICUT														
020 Operating Expenses	182,441,260	-	(2,457,386)	-	(449,960)		(2,000,000)	-1.10%	-2.45%					

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7302 UNIVERSITY OF CONNECTICUT HEALTH CENTER														
020 Operating Expenses	73,827,419	-	(692,218)	-	(183,658)		(125,000)	-0.17%	-1.11%					
7401 CHARTER OAK COLLEGE														
020 Operating Expenses	1,313,358	-	(19,861)	-	(3,234)		(16,905)	-1.29%	-2.81%					
021 Distance Learning Consortium	536,514	23,509	(26,826)	-								(26,826)	-5.00%	
7700 REGIONAL COMMUNITY - TECHNICAL COLLEGES														
020 Operating Expenses	122,035,392	-	(1,381,616)	-	(312,884)		(1,068,732)	-0.88%	-2.01%					
7800 CONNECTICUT STATE UNIVERSITY														
020 Operating Expenses	131,248,257	-	(1,546,448)	-	(325,651)		(1,220,797)	-0.93%	-2.11%					
8000 DEPARTMENT OF CORRECTION														
611 Community Residential Services	17,319,389	-	(400,000)	-			(397,228)	-2.29%	-4.60%					
8091 BOARD OF PAROLE														
612 Community Non Residential Services	1,941,683	-	-	-			(97,084)	-5.00%	-5.00%					
8100 DEPARTMENT OF CHILDREN AND FAMILIES														
002 Other Expenses	32,571,311	-	-	-			(85,000)	-0.26%	-0.26%					
9403 WORKERS' COMPENSATION CLAIMS - DAS														
011 Transfer Claims Liability	-	28,226,559	-							(1,126,559)	-3.99%			
Unaligned Appropriations														
5000 Department of Transportation														
011 Transportation Strategy Board	-	47,044,264	-			(15,000,000)				(7,000,000)	-21.84%			
024 Dial-A-Ride / Jobs Transportation	-	1,881,771	-			(200,000)				(1,681,771)	-100.00%			
<b>TOTAL</b>							<b>(12,715,425)</b>			<b>(41,368,433)</b>		<b>(13,582,776)</b>		<b>(1,800,000)</b>

Denotes a carryforward reduction  
 Denotes a change to a grant to town

Changes to the Tobacco Trust Fund	
	Amount
Transfer Partial Balance of Tobacco Trust Fund	\$ 25,000,000
Cancel Intercept for Tobacco & Health Trust Fund	12,000,000
Cancel Intercept for Biomedical Research Trust Fund	4,000,000
<b>TOTAL - Transfers to the General Fund</b>	<b>\$ 41,000,000</b>

Grants to Towns Summary		
	Dec. Surplus Reductions	Dec. Forced Lapse
710 OPM- Drug Enforcement Program		(1,326,605)
715 OPM- Waste Water Treatment Grant		(250,000)
701 OWC- School to Work	(81,771)	
702 DECD- Tax Abatement		(2,243,276)
703 DECD- PILOT		(2,900,000)
719 SDE- Educational Equalization Grants		(2,000,000)
755 SDE- School Accountability	(940,885)	
756 SDE- Poor Performing Schools	(1,317,239)	
<b>TOTAL</b>	<b>(2,339,895)</b>	<b>(8,719,881)</b>
		<b>(2,339,895)</b>
<b>GRAND TOTAL</b>		<b>(11,059,776)</b>